

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Amundson's and Aune's Cannonball, Inc.,

BKY 03-37055

Chapter 11 Case

Debtor.

**DEBTOR'S FIRST AMENDED
DISCLOSURE STATEMENT**

Amundson's and Aune's Cannonball, Inc. provides this Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code.

I. INTRODUCTION

On October 15, 2003 ("Filing Date"), Amundson's and Aune's Cannonball, Inc. ("Debtor") filed a case pursuant to Chapter 11 of the United States Bankruptcy Code. Debtor is filing this Disclosure Statement and Plan of Reorganization ("Plan"). Terms used in this Disclosure Statement shall have the meanings given to them in the Bankruptcy Code unless the context requires otherwise.

Debtor's Disclosure Statement is furnished pursuant to section 1125 of the Bankruptcy Code and is intended to provide all persons known to have claims against Debtor with sufficient information to permit them to make an informed judgment as to their votes to accept or reject the Plan. No representations concerning the Debtor, other than those set forth in this Disclosure Statement, or subsequently made by the Debtor or its agents directly, are authorized by the Debtor.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE, OTHER THAN THOSE IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR DEBTOR OR TO THE UNITED STATES TRUSTEE, WHO, IN TURN, SHALL CONVEY THIS INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY DEBTOR BUT HAS NOT BEEN INDEPENDENTLY AUDITED. ALL STATEMENTS CONCERNING FINANCIAL DATA ARE MADE IN GOOD FAITH AND ARE INTENDED TO BE AS COMPLETE AND AS ACCURATE AS POSSIBLE WITHIN THESE LIMITATIONS. HENSON & EFRON, P.A., AS BANKRUPTCY COUNSEL FOR THE DEBTOR HAS NOT INDEPENDENTLY VERIFIED ANY OF THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT.

II. BACKGROUND OF DEBTOR'S BUSINESS, EVENTS LEADING TO THE CHAPTER 11 CASE, AND OPERATIONS DURING CASE

2.1. Organization and History.

The Debtor is a Minnesota corporation with principal offices located at 31627 65th Avenue, Cannon Falls, Minnesota. The Debtor is engaged in four (4) types of business: (1) Retail sales of gasoline, diesel fuel, and convenience items; (2) Operation of a truck line; (3) Marketing, sales, and transportation of hay and other forage; and (4) Leasing a portion of its real property for use as a family-style restaurant. Prior to April 2003, the Debtor operated a restaurant in the space that is currently leased to the above-referenced restaurant.

Debtor was incorporated in April 1989. As of the Filing Date, there were two (2) shareholders, each of whom owned fifty percent (50%) of the Debtor's outstanding stock: Colin James Aune and his wife Geraldine Aune.

In addition to being the only two directors of the Debtor, the Aunes are the only officers. Mr. Aune is the President and Treasurer of the Debtor, and Mrs. Aune is the Vice-President and Secretary.

2.2. Events Leading to Filing of Petition.

The Debtor began experiencing a downturn in business in late 2001 and early 2002. In addition to being attributable to the general slowdown of the economy as a whole, the Debtor's revenues suffered by reason of a plant closing in the immediate vicinity and increased competition from recently opened fast-food restaurants and convenience stores on the Highway 52 corridor in Cannon Falls, Minnesota.

Prior to the decline in revenues, while the Debtor's operations were profitable, certain deficiencies in its bookkeeping practices did not present a particularly significant problem. Because the aggregate revenues consistently exceeded expenses, the Debtor did not feel compelled to incur the expense and effort that would be necessary to implement controls and administrative mechanisms that would facilitate ongoing evaluation of the profitability of each of the different areas of operations.

However, when the Debtor began experiencing negative cash flows, the shortcomings of its accounting systems were such that it was impossible for the Debtor to timely identify those operations that were causing the losses. Accordingly, it was not until after it was already in the midst of a severe liquidity crisis that the Debtor was in a position to identify the corrective measures that would be necessary to maintain its viability as a going concern.

Even on the basis of the incomplete financial picture available in early 2003, the Debtor was able to determine that its operation of the restaurant was causing substantial losses. The Debtor made the decision, therefore, to close the restaurant and lease the space to an Ember's franchisee.

The closing of the restaurant and the resulting income from the lease did alleviate the financial problems the Debtor was experiencing, but retail revenues continued to fall short of the level necessary to service the debt that had built up by that time. By Autumn of 2003, the Debtor's cash flow problems reached a crisis level, and the Debtor determined that, in order to continue as a going concern, it would have to reorganize under Chapter 11 of the United States Bankruptcy Code.

2.3 Summary of Bankruptcy Proceedings

2.3.1 Retention of Professionals

Debtor retained William Kampf and Henson & Efron, P.A. ("Henson"), formerly Kampf & Associates, P.A., as Debtor's bankruptcy counsel. The order approving the Debtor's retention of Henson was entered on October 16, 2003.

2.3.2 Bankruptcy Case Proceedings Related to Use of Cash Collateral

The commencement of a bankruptcy case leads to certain restrictions on a debtor's operations and management. Among the restrictions is one related to the use of "cash collateral," which is defined, in part, as "cash, negotiable instruments, documents of title, securities, deposit accounts, or other cash equivalents" in which a creditor has a security interest. Upon the commencement of a bankruptcy case, a debtor is forbidden from using cash collateral except with the consent of the relevant secured creditors, or as authorized by the Bankruptcy Court. In many cases, the Bankruptcy Code provisions related to the use of cash collateral effectively bar a debtor from making any expenditures until entry of an order authorizing use.

In general, a debtor's use of cash collateral will not be permitted unless the affected secured creditor is provided with "adequate protection" of its interest in the collateral. Although the elements of adequate protection will vary from case to case, the essential goal of adequate protection is to ensure that a secured creditor will not bear any risk that the value of its collateral will diminish by reason of a debtor's use of that collateral during the pendency of a bankruptcy case.

By motion dated October 16, 2003, the Debtor, on an expedited basis, sought authority to continue using cash collateral in which the Internal Revenue Service ("IRS") and Vermillion State Bank ("Vermillion") had an interest. The October 16, 2003 motion requested that the Debtor be granted authority to use cash collateral for the period ending on April 15, 2004, and set forth an offer of adequate protection containing the following material terms:

- (a) The Debtor's actual use of cash collateral would not materially vary from that provided for in certain proposed budgets that were attached to the motion;
- (b) The Debtor would grant the IRS and Vermillion replacement liens¹, to the extent of the Debtor's use of cash collateral, in post-petition inventory, accounts, equipment,

¹ Replacement liens are a common component of adequate protection offers, and are necessary because a debtor in bankruptcy is a legal entity that is distinct from the pre-petition debtor. Accordingly, any property acquired by the debtor in bankruptcy is generally not subject to a creditor's pre-petition liens.

and general intangibles, with such liens having the same priority, dignity, and effect as the pre-petition liens;

(c) Debtor would carry insurance on its assets and said insurance policies would name the IRS and Vermillion as loss payees, if so requested.

(d) The Debtor would provide the IRS and Vermillion, upon request, the following reports and documents on or before the following deadlines:

(i) As to either the IRS or Vermillion, all reports the Debtor was previously providing to such creditor, by the deadlines then in place;

(ii) A copy of the monthly operating reports and other reports submitted to the Office of the U.S. Trustee on a monthly basis, such copy to be mailed to Vermillion and the IRS on the same date that the report is sent to the U.S. Trustee; and

(iii) A copy of such other documents and information as may be reasonably requested, such copies to be provided within a reasonable time period after the request is made.

(e) On reasonable notice to the Debtor and its attorneys, the Debtor would afford the IRS and Vermillion the right to inspect the books and records of the Debtor and the right to inspect and appraise the Debtor's real and personal property at any time during normal operating hours.

(f) Debtor's permitted use of cash collateral pursuant to the cash collateral order would cease if:

(i) The Debtor defaulted on any obligation undertaken relative to the request for authority to use cash collateral;

(ii) Either the IRS or Vermillion should provide notice of the default to Debtor and its counsel; and

(iii) Such default should not be cured within seven days after receipt of such notice of default.

By order entered on October 17, 2003, the Court authorized the Debtor's use of cash collateral during an interim period ending on November 15, 2003. A final order on the October 16, 2003 cash collateral motion was entered on November 17, 2003², and authorized the Debtor's use of cash collateral through April 15, 2004. At all times relevant, the Debtor has complied with all terms, and observed all conditions, associated with its use of cash collateral.

On March 24, 2004, the Debtor filed a motion requesting that the Court authorize its continued use of cash collateral through August 15, 2004. Prior to the hearing on the motion, the Debtor and Vermillion entered into a stipulation under which Vermillion would receive, in addition to the adequate protection proposed in the motion, weekly payments in the amount of \$1,375 and a commitment that the Debtor would confirm a plan of reorganization by August 15, 2004. On April 13, 2004, the Court entered an order authorizing the Debtor's continued use of cash collateral on the terms set forth in the motion and the stipulation with Vermillion.

² Due to a scrivener's error in the proposed final order attached to the Debtor's motion, on January 21, 2004 the Debtor filed a motion requesting that the Court enter an order correcting the error. The Debtor's January 21, 2004 motion was granted by order entered on February 5, 2004.

2.3.5 Approval of Adequate Protection Stipulation

By motion dated February 9, 2004, the Debtor sought Court approval of a stipulation providing for the adequate protection of White Rock Bank's interest in certain equipment owned by the Debtor. As more fully described in Article III, below, White Rock is the holder of a claim secured by, among other things, a number of tractors and trailers. Because the Debtor was continuing to use the tractors and trailers, and because those items are depreciating assets, the Debtor agreed to compensate White Rock for the use of the property, and the parties entered into a stipulation setting forth the terms of the agreement. By order entered on February 27, 2004, the Court approved the stipulation between the Debtor and White Rock, whereupon the Debtor began making weekly payments in the amount of \$1,000. Since the approval of the stipulation, the Debtor has remained current on its obligations thereunder.

2.3.6 Debtor's Performance

Debtor's performance during Chapter 11 is reflected in Exhibit B, which provides a summary of the Debtor's performance from the date of filing on October 15, 2003 through April 30, 2004. Since the Filing Date, the Debtor has remained current with its trade creditors, and has substantially performed according to the terms of all other obligations consistent with its status as a debtor-in-possession. Without limiting the generality of the foregoing, the Debtor has remained current on taxes owed to the Internal Revenue Service and the Minnesota Department of Revenue.

2.3.6. Committee of Unsecured Creditors.

An Official Committee of Unsecured Creditors ("Committee") was appointed. It consists of the following Members: Hartland Fuel Products, LLC ("Hartland"); A.H. Hermel Company; and Coca-Cola Bottling Co. Kent N. Rotering, of Hartland, was appointed Chairman of the Committee.

III. DESCRIPTION OF THE PROPOSED CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

Transmitted herewith is the Debtor's Plan of Reorganization ("Plan"). Section 1125 of the Bankruptcy Code requires a debtor to disclose information about the debtor's plan of reorganization in the disclosure statement, including information concerning the debtor's proposed treatment of claims and interests. Set forth below is a general description of the various types of claims against, and interests in, the Debtor, along with the proposed treatment of such claims and interests, and other information relevant to the Plan. Cash flow projections incorporating the treatment of claims and interests proposed by the Debtor's Plan are provided in Exhibit C attached hereto. The terms of the Plan control and become effective on the Effective Date of the Plan, provided the Plan is confirmed and the order is not stayed pending appeal.

3.1. Formulation of Plan of Reorganization.

A plan of reorganization outlines each of the different types of a debtor's debts and equity interests and contains the terms pursuant to which they are to be treated. The bankruptcy laws require that certain types of claims and interests be grouped into classes, and that other types of claims not be grouped into classes. The designation of classes of claims and interests, and the treatment of both classified and unclassified claims, and of interests, is detailed in the Plan. In the event of any inconsistency between the contents of this Disclosure Statement and the Plan, the terms of the Plan control.

"Claims" are any and all rights to payment from, and any and all rights to equitable remedies against, the Debtor. See Section 101(5) of the Bankruptcy Code.

"Interest" is any equity security such as a share in a corporate debtor. See Section 101(16) of the Bankruptcy Code.

The Debtor is also required to identify what classes of claims and interests are impaired under the Plan and what classes of claims and interests are unimpaired under the Plan. In general, a claim or interest is impaired if the plan alters the legal, equitable, or contractual rights to which the holder of the claim or interest would be entitled absent the filing of the Bankruptcy Case.

3.2 Classified Claims and Interests - Description of Holders and Treatment.

The Bankruptcy Code permits certain claims and interests to be placed in particular classes in a plan of reorganization. In broad terms, any claim or interest within a class must be substantially similar to the other claims or interests in such class. The classification of claims and interests is significant because, subject to certain limitations and requirements, different classes of claims and interests may be subject to different treatment. In addition, the holders of claims and interests are required to cast ballots only within the classes to which their claims and interests belong; as more fully described in Article VIII, a plan of reorganization generally may be confirmed so long as it is accepted by at least one impaired class.

The classification regimen provided for in the Debtor's Plan, along with a brief description of the nature of each of the classes of claims and interests, and the respective treatment of each, is given below.

Class 1 - Class of Unsecured Creditors.

Class 1, the "Class of Unsecured Creditors," is that made up of the general unsecured claims against the Debtor ("Class 1 Claims").

a. Description of Class 1

Class 1 consists of all allowed general unsecured claims not entitled to priority, and not classified elsewhere in the Plan. The Class 1 Claims are generally made up of trade debt incurred in the

ordinary course of business, and the Debtor has estimated that the aggregate total of Class 1 Claims is not more than \$998,000.

b. Treatment of Class 1

Members of Class 1 may opt to be paid according to the terms of one of the two alternatives below.

Option 1 – Single Payment.

Class 1 Members choosing Option 1 (“Option 1 Creditors”) shall be paid, on the Effective Date or as soon thereafter as is practicable, the lesser of: (i) fifty percent (50%) of their respective allowed claims, or (ii) \$500.00. In the event that any creditor with a claim exceeding \$1,000 wishes to elect treatment under Option 1, such creditor must affirmatively waive that portion of the claim over and above \$1,000.

Option 2 – Five Year Note.

Class 1 Members choosing Option 2 (“Option 2 Creditors”) shall each be issued a promissory note in an original principal amount equal to twenty percent (20%) of their respective allowed claims. The promissory notes issued to Option 2 Creditors shall not bear interest and shall be paid in semi-annual installments, each in an amount equal to two percent (2%) of the allowed claim. In the event that accelerated payments are made, for any reason, the sum of those accelerated payments shall be credited against payments that would otherwise be due according to the terms of the preceding sentence, in reverse order of maturity.

The Debtor shall make payments to the Option 2 Creditors by mailing checks on each of June 1 and December 1 of each year (the “Option 2 Distribution Dates”) until ten (10) such payments have been made.

Class 2 – White Rock Bank

Class 2 consists solely of the claim of White Rock Bank (“White Rock”) (the “Class 2 Claim”).

a. Description of Class 2 Claim

Class 2 is made up of obligations owing to White Rock under the terms of the seven (7) promissory notes described below:

1. Promissory Note dated April 16, 2002 (the “April 16 Note”), in the original principal amount of \$74,710.77. The April 16 Note was for a thirty-six (36) month term, and called for monthly payments in the amount of \$2,350.97 each, with the final payment being due and payable on April 10, 2005. Performance of the Debtor’s obligations under the April 16 Note was secured by the grant of a security interest in two (2) 1998 Peterbilt tractors, a 1999 Reitnouer trailer, and a 1995 Jet-Drop trailer.

2. Promissory Note dated December 30, 2002 (the "December 30 Note"), in the original principal amount of \$51,253.98. The December 30 Note was for a forty-eight (48) month term, and called for forty-seven (47) monthly payments in the amount of \$1,250 each, and one (1) final payment, in the amount of \$1,698.34, due and payable on December 17, 2006. Performance of the Debtor's obligations under the December 30 Note was secured by the grant of a security interest in one (1) 1998 Kenworth tractor, a 1998 Lode King trailer, and a 2002 Transcraft trailer.
3. Promissory Note dated December 3, 2002 (the "First December 3 Note"), in the original principal amount of \$59,926.39. The First December 3 Note was for a fifty-eight (58) month term, and called for fifty-seven (57) monthly payments in the amount of \$1,250 each, and one (1) final payment, in the amount of \$1,428.52, due and payable on October 3, 2007. Performance of the Debtor's obligations under the First December 3 Note was secured by the grant of a security interest in one (1) 1992 Peterbilt tractor, one (1) 1996 Peterbilt tractor, and one (1) 1996 Kenworth tractor.
4. Promissory Note dated December 3, 2002 (the "Second December 3 Note"), in the original principal amount of \$49,911.52. The Second December 3 Note was for a forty-seven (47) month term, and called for forty-six (46) monthly payments in the amount of \$1,250 each, and one (1) final payment, in the amount of \$982.51, due and payable on November 10, 2006. Performance of the Debtor's obligations under the Second December 3 Note was secured by the grant of a security interest in one (1) 1998 Peterbilt tractor and one (1) 2000 Wilson trailer.
5. Promissory Note dated March 13, 2003 (the "March 13 Note"), in the original principal amount of \$24,000. The March 13 Note was for a twelve (12) month term, and called for eleven (11) monthly payments in the amount of \$2,000.00 each, and one (1) final payment, in the amount of \$3,145.10, due and payable on March 12, 2004. Performance of the Debtor's obligations under the March 13 Note was secured by the grant of a security interest in all of the Debtor's inventory and equipment.
6. Promissory Note dated July 15, 2003 (the "July 15 Note"), in the original principal amount of \$25,000.00. The July 15 Note was for a twelve (12) month term, and called for monthly, interest-only payments and a final payment in an amount equal to all principal and accrued interest being due and payable on July 15, 2004. Performance of the Debtor's obligations under the July 15 Note was secured by the grant of a security interest in one (1) 1992 Peterbilt tractor, one (1) 1996 Peterbilt tractor, one (1) 1996 Kenworth tractor, and all of the Debtor's inventory, equipment, and accounts.
7. Promissory Note dated September 12, 2003, (the "September 12 Note"), in the original principal amount of \$17,917.17. The September 12 Note was for a term of approximately six (6) months, with all principal and accrued interest being due and payable on March 15, 2004. Performance of the Debtor's obligations under the July 15 Note was secured by the grant of a security interest in one (1) 2002 Chevrolet Dually, one (1) 1999 Lincoln automobile, and the Debtor's accounts receivable.

All of White Rock's security interests in those vehicles and trailers that are specified above were duly perfected by recording such interests with the Minnesota Department of Transportation, and White Rock's status as a lienholder appears on each of the relevant certificates of title. The Debtor has estimated that the aggregate value of the tractors and trailers is approximately \$300,000.

b. Treatment of Class 2 Claim

White Rock shall have an allowed claim in the amount of \$192,079.33, plus any accrued and unpaid interest that is due and owing under the terms of any applicable instrument, and less any payments of principal made during the pendency of the Bankruptcy Case.

On the Effective Date the aggregate total of all outstanding principal shall be rolled into a single promissory note (the "Restated White Rock Note") in the full amount of its claim.

The Restated White Rock Note shall bear interest at the rate of eight percent (8%) per annum, and shall be repaid according to the following terms: The Debtor will make one hundred and ninety-two (192) weekly payments, each in the amount of \$1,000, of principal and interest on the Restated White Rock Note according to a sixty-six (66) month amortization schedule³, and a single balloon payment, equal to all outstanding principal and unpaid interest, due on the first business day of the forty-ninth (49th) month after the Effective Date. The first of the weekly installments owing on the Restated White Rock Note shall be due and payable on the first business day of the first full week following the Effective Date, and each subsequent installment, including the balloon installment, shall be due on first business day of each of the next succeeding one hundred and ninety-one (191) weeks.

The Debtor's obligations under the Restated White Rock Note will be secured by a first priority security interest on each of those vehicles and trailers on the certificate of title for which White Rock currently appears as the first priority lienholder. The Debtor will cooperate in preparing and recording any documents that White Rock shall reasonably request in order to continue or provide evidence of its security interest, provided, however, that all security interests that appeared on the Debtor's certificates of title prior to the commencement of the Bankruptcy Case shall continue to be of the same force and effect as they would have had had the Bankruptcy Case never been filed; no further act by either White Rock or the Debtor shall be necessary in order to perfect the security interests provided for herein.

The Restated White Rock Note, together with the Plan, shall operate as a restatement and amendment of the pre-petition promissory notes executed by the Debtor in favor of White Rock, and neither the confirmation of the Plan nor the execution of the Restated White Rock Note shall effect a replacement or satisfaction of any of the Debtor's pre-petition obligations to White Rock. The terms of the Restated White Rock Note shall be substantially similar to those included in the instruments executed prior to the Filing Date, and, to the extent not inconsistent with the terms of the Restated White Rock Note or the Plan, the terms of all pre-petition

³ The amortization period of the White Rock Replacement Note is an approximation that is used for the sake of convenience. After sixty-six (66) monthly installments of \$4,000, there would actually remain an unpaid balance of approximately \$2,290.

agreements shall continue in full force and effect. By way of limitation, the Restated White Rock Note and the Plan shall provide that, notwithstanding any term in any agreement to the contrary, neither the commencement nor the prosecution of the instant Bankruptcy Case shall be deemed an event of default or an event otherwise giving rise to any rights or remedies in favor of White Rock.

Class 3 - Priority Claims Other Than §507(a)(1), (a)(2) and (a)(8) Claims

a. Description of Class 3

Class 3 consists of all timely filed and allowed priority claims other than claims asserted under Section 507(a)(1), (a)(2) and/or (a)(8) of the Bankruptcy Code.

b. Treatment of Class 3

The Debtor shall pay any timely filed and allowed priority claims, in full, on the Effective Date, or as otherwise agreed to between the Debtor and the holder of the allowed priority claim.

Class 4 – Vermillion State Bank

The Class 4 Claim is that claim held by Vermillion State Bank (“Vermillion”).

a. Description of Class 4 Claim

Vermillion is the holder of a promissory note dated July 21, 2003, in the original principal amount of \$122,000, and a promissory note dated July 25, 2003, in the original principal amount of \$483,415 (together, the “Vermillion Notes”).

The Debtor’s obligations under the Vermillion Notes are secured by a security interest in, among other items, inventory, equipment, accounts and general intangibles pursuant to that certain security agreement, dated on or about May 7, 1996, and restated at various times, with the most recent such restatement being dated July 21, 2003. On May 7, 1996, Vermillion filed a UCC-1 financing statement with respect to its security interest in the Collateral, and on February 23, 2003, Vermillion filed a UCC-3 continuation. In addition to the security interest in the Debtor’s personal property, by Mortgages dated May 2, 1996, July 31, 2000; December 31, 2002, and March 13, 2003, the Debtor granted Vermillion a lien on all of the Debtor’s real property.

Pursuant to that certain Subordination Agreement dated October 9, 1997, Vermillion and the Small Business Administration agreed that Vermillion would enjoy a first lien on and security interest in all of the Debtor’s real and personal property except to the extent that such interests or liens secured the Debtor’s performance under the terms a promissory note in the original principal amount of \$218,000 and dated May 2, 1996. As of the Filing Date, that portion of the debt owing to Vermillion that was subject to a subordinated security interest had been paid in full, and Vermillion held a first priority security interest in all of the Debtor’s real and personal property, with the exception of those certificated vehicles in which White Rock has a senior

interest. The Debtor has estimated that the value of the property in which Vermillion has a first priority security interest is approximately \$1,447,000.

On February 12, 2004, Vermillion filed a proof of claim in which it asserted a claim in the amount of \$602,782.91. Before confirmation of the Plan, Vermillion will purchase the Small Business Administration's claim against the Debtor for an amount to be determined. The full face value of the former claim of the Small Business Administration, in the scheduled amount of \$481,235, will become part of the Class 4 Claim, and will be repaid in accordance with the Plan.

b. Treatment of Class 4 Claim

Vermillion shall have an allowed, fully secured claim in the amount of \$1,084,017.91, together with accrued and unpaid interest and fees and costs allowable under the applicable pre-petition agreements.

The Class 4 Claim shall be paid, according to the terms of a promissory note (the "Restated Vermillion Note") in the original principal amount of \$843,400.41, plus all accrued and unpaid interest and other fees and costs allowable under the parties' pre-petition agreements. The Restated Vermillion Note will include the following material terms: Interest shall accrue at the rate of eight and one-half percent (8.5%) annually, and payments according to a twenty-five (25) year amortization schedule, each in the amount of \$6,800.00, shall be due on the first business day of each month during the term of the Restated Vermillion Note. The Restated Vermillion Note shall mature on the third (3rd) anniversary of the Effective Date, at which time all outstanding principal and accrued interest shall be due and payable. Prepayment of the Restated Vermillion Note will give rise to a prepayment fee equal to eight and one-half percent (8.5%) of the outstanding balance at the time of the prepayment.

On the Effective Date, the Debtor will also execute a second promissory note in favor of Vermillion (the "Conditional Vermillion Note") in the original principal amount of \$240,617.50. If the Debtor does not default in the payment of any amounts owing under the Restated Vermillion Note, the Conditional Vermillion Note will be cancelled on the third (3rd) anniversary of the Effective Date.

The Debtor's performance under the terms of the Restated Vermillion Note and the Conditional Vermillion Note shall be secured by a continuing first priority security interest in, and lien on, all of the Debtor's real and personal property, with the exception of those certificated vehicles that have been and shall remain subject to a first priority lien in favor of White Rock Bank. No further action need be taken by either Vermillion or the Debtor in order to perfect any of Vermillion's interests in the Debtor's assets, except to the extent that further action may be required by otherwise applicable state or federal law. Notwithstanding the foregoing, the Debtor shall cooperate and comply with all reasonable requests related to the execution and delivery of such further and additional documents as Vermillion may deem necessary or appropriate in order to retain or continue its interest in the Debtor's assets.

The Restated Vermillion Note, together with the Plan, shall operate as a restatement and amendment of the pre-petition promissory notes executed by the Debtor in favor of Vermillion,

and neither the confirmation of the Plan nor the execution of the Restated Vermillion Note shall effect a replacement or satisfaction of any of the Debtor's pre-petition obligations to Vermillion. The terms of the Restated Vermillion Note shall be substantially similar to those included in the instruments executed prior to the Filing Date, and, to the extent not inconsistent with the terms of the Restated Vermillion Note or the Plan, the terms of all pre-petition agreements shall continue in full force and effect, and are hereby incorporated by this reference to such extent. By way of limitation, the Restated Vermillion Note and the Plan shall provide that, notwithstanding any term in any agreement to the contrary, neither the commencement nor the prosecution of the instant Bankruptcy Case shall be deemed an event of default or an event otherwise giving rise to any rights or remedies in favor of Vermillion.

Class 5 – Internal Revenue Service

The Class 5 Claim is that held by the Internal Revenue Service (the "IRS").

a. Description of Class 5 Claim

On February 27, 2003, the Internal Revenue Service (the "IRS") filed Notices of Federal Tax Lien with the Secretary of State of Minnesota and the Goodhue County Recorder, in order to record claimed a lien in the amount of \$435,442.29⁴ on all of the Debtor's real and personal property.

b. Treatment of Class 5 Claim

The IRS shall have an allowed, fully secured claim in the amount of \$384,003.54, together with statutorily imposed interest.

The Class 5 Claim shall be paid, in full, according to the terms of a promissory note (the "IRS Note") including the following material terms: Interest shall accrue at the rate of five and one-half percent (5.5%) per annum, and payments based on a twenty-five (25) year amortization schedule, each in the amount of \$2,358.00, shall be due on the first business day of each month during the term of the IRS Note. The IRS Note shall mature on the fifth (5th) anniversary of the Effective Date, at which time all outstanding principal and accrued interest shall be due and payable.

The IRS shall retain its lien on the Debtor's assets, with such lien surviving confirmation of the Plan and retaining the same priority, dignity, and effect as enjoyed prior to the Filing Date. If the Debtor substantially defaults on the payments under the IRS Note, then the entire balance of the IRS Note will immediately become due and payable and the IRS will be authorized to collect all amounts through the administrative collection provisions of the Internal Revenue Code. No further action need be taken by either the IRS or the Debtor in order to perfect the IRS's interest in the Debtor's assets, except to the extent such further action may be required by otherwise applicable state or federal law. Notwithstanding the foregoing, the Debtor shall cooperate with all reasonable requests related to the execution and delivery of such further and additional

⁴ Subsequent to the filing of the Federal Tax Lien, the Debtor was informed that certain penalties had been deducted from the amount claimed by the IRS and that the amount owing, as of the Filing Date, was approximately \$384,000.

documents as the IRS may deem necessary or appropriate in order to preserve its interest in the Debtor's assets for so long as any amount under the IRS Note remains outstanding.

Execution and delivery of the IRS Note, and the continuation of the IRS's lien as provided in the preceding paragraph shall operate as complete and full satisfaction of the IRS's secured claim against the Debtor. Upon confirmation of the Plan, the IRS shall have no further rights against the Debtor, except to the extent that such rights arise out of the IRS Note and associated lien.

Class 6 – Equity Interests.

Class 6 consists of the interests of shareholders of the Debtor ("Class 6 Interests").

a. Description of Class 6 Interests

Class 6 consists of all existing equity interests of members of the Debtor as of the Filing Date, including, without limitation, all financial and all governance rights associated with any and all stock issued at any time by the Debtor, and which remain outstanding.

b. Treatment of Class 6 Interests

Confirmation of the Plan shall have no effect on the Class 6 Interests, all of which shall remain in place from and after the date on which an order confirming the Plan is entered.

3.3 Impaired and Unimpaired Classes

All classes of claims are impaired under the Plan, while the Class 6 Interests are unimpaired.

3.4 Unclassified Claims – Description of Holders and Treatment of Claims

As indicated above, certain claims are not classified in the plan. They include certain pre-petition priority claims and administrative expenses. The unclassified claims are set forth below.

3.4.1 Pre-Petition Priority Government Claims.

"Pre-Petition Priority Government Claims" consists of all timely filed and allowed claims of governmental units for a pre-petition claim that is accorded a priority status pursuant to Section 507(a)(8) of the Bankruptcy Code. Pursuant to the mandates of Section 1129(a)(1) of the Bankruptcy Code, Pre-Petition Priority Government Claims are not classified in the Debtor's Plan.

a. Description of Pre-Petition Priority Government Claims

The Debtor is liable on certain Pre-Petition Priority Government Claims related to the imposition of real estate, sales, and employment related taxes. The Debtor estimates that its aggregate liability on Pre-Petition Priority Government Claims is approximately \$60,000.

b. Treatment of Pre-Petition Priority Government Claim(s)

All Pre-Petition Priority Government Claims shall be paid, in full, over a term not exceeding five years. From and after the Effective Date, Pre-Petition Priority Government Claims shall accrue interest on the terms and at the rate provided for in 26 U.S.C. §6621(b), and shall be paid in periodic payments so that such claims are fully amortized and paid in full within six years of the date that the tax was assessed.

3.4.2 Administrative Expenses.

During the pendency of the Chapter 11 reorganization case, the Debtor incurred certain administrative expenses. "Administrative Claim" means any claim for the payment of any administrative expense arising under Section 503(b) of the Bankruptcy Code.

Subject to the specific terms provided for below that may conflict with this general provision, the Debtor shall pay each holder of an allowed or Court-awarded Administrative Claim (except any such holder that agrees to different treatment) the allowed amount of such holder's allowed Administrative Claim, in cash, on the Effective Date of the Plan, or earlier at the election of the Debtor; provided, however, that allowed Administrative Claims representing post-petition liabilities incurred in the ordinary course of business by the Debtor shall be paid by the Debtor in accordance with the terms and conditions of the particular transactions relating to such liabilities.

(a) Professional Fees.

Professional fees that constitute Administrative Claims are the allowed fees and costs of the professionals that have been employed in the course of the Bankruptcy Case.

The known and estimated fees and costs are as follows:

<u>Professional</u>	<u>Fees & Costs Through Stated Date</u>	<u>Estimated Additional Fees & Costs</u>	<u>Amounts Paid and/or Retainer to be Applied</u>	<u>Amount to be Paid through Plan</u>
Henson & Efron Atty for Debtor	\$35,000 4/15/04	\$8,000	\$22,000	\$21,000

Provided the professionals receive Bankruptcy Court approval of their fees and expenses, these claims for professional fees identified above shall be paid in full in cash on the Effective Date, or on such date as the Court may fix, or upon such other terms as may be agreed upon by the professional and the Debtor.

(b) U.S. Trustee Fees and Court Costs.

U.S. Trustee fees and court costs that constitute Administrative Claims are those obligations imposed by operation of 28 U.S.C. §1930 (all such fees and costs shall be referred to as “U.S. Trustee Fees”).

The Debtor shall pay all U.S. Trustee Fees, as and when due, until the Bankruptcy Case is closed.

(c) Other Administrative Expense Claims.

There may be other Administrative Claims, such as the following: (1) filed proofs of claim for administrative expenses; (2) post-petition taxes; (3) unpaid post-petition claims incurred in the ordinary course of the Debtor’s business; and (4) certain claims associated with executory contracts and unexpired leases (the treatment of claims arising out of executory contracts and unexpired leases is more fully described in Section 3.5 below) (all of the foregoing shall be referred to as “Other Administrative Claims”). The Debtor has remained current on all of its post-petition obligations, and does not believe that it is liable on any Other Administrative Claims.

To the extent that the Debtor is liable on any allowed Other Administrative Claims, such claims shall be paid, in full and in cash, on the Effective Date, or as otherwise agreed to between the Debtor and the claimant, subject to the following exception: For claims incurred in the ordinary course of the Debtor’s business after the Filing Date, the Debtor shall pay such claims as they become due, or otherwise in the ordinary course of Debtor’s business.

3.5. Executory Contracts and Unexpired Leases

The Debtor is a party to those executory contracts and unexpired leases as described in Exhibit A, the Schedule of Executory Contracts and Leases. Pursuant to Section 365 of the Bankruptcy Code, the Debtor may either (i) assume the contract, (ii) reject the contract, or (iii) assume and assign the contract. The treatment that any contract or lease receives in the course of a bankruptcy case dictates the nature of the claim that the non-debtor party may have by reason of the contract or lease. Generally, the rejection of a contract or lease will give rise to a general unsecured claim for damages and pre-petition arrearages, while the assumption of a contract or lease will require that all defaults be cured, and claims related to monetary defaults will be afforded priority status under the Bankruptcy Code.

The treatment of the various executory contracts and unexpired leases to which the Debtor is a party is specified in the Schedule of Executory Contracts and Leases attached to hereto as Exhibit A.

As to any assumed contracts and leases, from and after the Effective Date, the Debtor shall timely perform its obligations according to the terms thereof, as the same may be modified by the terms of the Plan. Notwithstanding the foregoing, with respect to arrearages outstanding as

of the Effective Date, the Debtor shall cure such arrearages on the Effective Date, or as otherwise agreed to by the Debtor and the other party to any affected contract.

As to rejected contracts and leases, the parties to such contracts and leases may have claims arising under the terms of the relevant agreement, or arising from the rejection of the contract or lease, or both. In accordance with the provisions of the Bankruptcy Code, any claim arising out of the rejection of an executory contract or unexpired lease shall be treated as an unsecured claim. Unless otherwise ordered by the Court, the deadline for filing a proof of claim for any such claim arising from rejection of a contract or lease shall be fixed at 30 days from the date on which an order confirming the Plan is entered. THE INFORMATION PROVIDED HEREIN CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING CLAIMS FOR DAMAGES FROM REJECTION OF ANY EXECUTORY CONTRACT OR UNEXPIRED LEASE.

Contracts and Leases not Specified

If the Debtor is a party to any executory contracts or unexpired leases that are not specifically identified in the Schedule of Executory Contracts and Leases, the Debtor shall REJECT all such executory contracts and unexpired leases, with the following exceptions: (i) except as may be provided for in any prior Court order entered with respect to a motion for assumption or rejection of such executory contract or unexpired lease, and (ii) except as may be provided for in any motion pending before the Bankruptcy Court on the date of the hearing on confirmation of the Plan. Except as may be provided otherwise herein, such rejection shall be effective as of the date on which an order confirming the Plan is entered.

3.6. Summary of Estimated Recoveries Under the Plan.

The Debtor has analyzed the claims as set forth in the schedules filed by the Debtor, and in the proofs of claim filed in this case. Based on its evaluation of the various claims, the Debtor has estimated the allowed claims and the recoveries for those claims as set forth below. The estimates represent the Debtor's good faith analysis of claims that have been asserted, and are subject to uncertainties of any claims litigation that may be necessary.

<u>Type/Class of Claim</u>	<u>Dollar Amt Of Total Claims/Interests</u>	<u>Total Dollar Amt of Pmts Made/to be made</u>	<u>Estimated Recovery</u>
Administrative Claims	-0-	-0-	-
Priority Tax Claims	\$59,782	\$59,782	100%
Class 1- General Unsecured	\$998,000	\$199,600	20%
Class 2 - White Rock	\$192,000	\$192,000	100%
Class 3 - Priority	\$4,650	\$4,650	100%
Class 4 - Vermillion	\$844,000	\$844,000	100%
Class 5 - IRS	\$386,000	\$386,000	100%
Executory contracts and unexpired leases	-0-	-0-	-

The dollar amounts attributed to the various classes of claims are approximations based on the Debtor's books and records and the filed proofs of claim, and may be subject to change by reason of allowance of filed proofs of claims in an amount different from the amount stated in the Debtor's books, or the allowance of otherwise disputed claims. Any change in the aggregate total of allowed claims in any given class, however, will not alter the proportionate expected return on the claims in such class.

<u>Summary by Certain Categories</u>	<u>Total Dollar Amt of Pmts Made/to be made</u>	<u>Estimated Recovery</u>
Fees of Attorney for Debtor	\$43,000	100%
Fees of other Professionals	-0-	-
Aggregate of all secured creditors	\$1,422,000	100%
Aggregate of all priority claims	\$64,000	100%
Aggregate of all unsecured claims	\$998,000	20%

The total amount of secured debt provided for in the Plan is approximately the number set forth above and is or will be held by the different creditors reflected in the Classes set forth in the foregoing section regarding classified claims. The secured debt will be paid at varying rates over various terms, all as indicated in the Plan. The Debtor believes that the payment terms on the secured debt are reasonable and feasible based on the Debtor's projections.

The Debtor has determined that it is not liable for any arrearages under assumed leases and executory contracts. To the extent that, as of the Effective Date, the Debtor has monetary obligations outstanding under any assumed contract or lease, such amounts would result in an upward adjustment of the estimate of aggregate priority claims.

IV. PROOFS OF CLAIMS AND OBJECTIONS TO CLAIMS

In general, creditors of the Debtor were permitted to file proofs of claims with the Bankruptcy Court pursuant to Bankruptcy Rules 3001 or 3002. The deadline for timely filing a proof of claim for non-governmental creditors was March 8, 2004.

Certain creditors may hold or assert claims for the payment of administrative expenses of the types described in Section 503(b) of the Bankruptcy Code. Unless otherwise ordered by the Bankruptcy Court, the deadline by which administrative claims must be timely filed is thirty days after the date on which an order confirming the Plan is entered. Pursuant to the applicable rules of procedure, administrative expense claims shall be asserted by motion filed and served by the deadline set forth herein. **SUBJECT TO SUBSEQUENT ORDER OF THE BANKRUPTCY COURT, THIS INFORMATION CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING ADMINISTRATIVE CLAIMS.**

Certain creditors may have claims arising from the Debtor's rejection of executory contracts or unexpired leases, whether rejected under the Plan or pursuant to a motion filed during the pendency of the Bankruptcy Case. Claims for damages arising out of such rejection must be asserted by the filing of a proof of claim within thirty days after the date on which an order confirming the Plan is entered. Parties to executory contracts and unexpired leases that have been or may yet be rejected by the Debtor, by motion or otherwise, at or before confirmation must file proofs of claims for any damages from such rejection in accordance with the Bankruptcy Court's order approving such rejection, or, if the order does not so provide, pursuant to the terms of this paragraph. THE INFORMATION PROVIDED HEREIN CONSTITUTES NOTICE OF THE DEADLINE FOR ASSERTING CLAIMS FOR DAMAGES FROM REJECTION OF ANY EXECUTORY CONTRACT OR UNEXPIRED LEASE.

The Debtor and certain other parties in interest have standing to file objections to any claims asserted in the Bankruptcy Case. The deadline for timely filing objections to proofs of claims typically is thirty days after the date on which an order confirming the plan is entered.

Based on an initial review of the filed proofs of claim, the Debtor believes that the following claims are objectionable for the reasons stated:

<u>Claim No.</u>	<u>Claimant</u>	<u>Nature of Objection</u>
3	Gillund Enterprises	Improperly claimed as priority
6	Bumper to Bumper	Improperly claimed as priority
12	EA Sween Co.	Improperly claimed as secured
20	Justin Boots	Improperly claimed as priority

Unless, within a reasonable time after confirmation of the Plan, the creditors asserting the above-referenced claims file amended proofs of claim correcting the improprieties alleged by the Debtor, the Debtor may be compelled to commence claims litigation in order to have the amount and nature of those claims determined by the Bankruptcy Court. The omission of any claim from the list above shall not be deemed a waiver of the right to object to such omitted claim, and the Debtor specifically reserves the right to object to any claim, however asserted, subject to the limitations and restrictions set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, or any order entered by the Bankruptcy Court.

V. CLAIMS OF THE DEBTOR AGAINST OTHERS

The Debtor may hold certain claims against others. These potential claims against others include claims arising from bankruptcy laws and claims against insiders.

5.1. Claims from Bankruptcy Laws – Preferences, etc.

The bankruptcy laws create a number of claims and causes of action that a debtor-in-possession may pursue for the benefit of the bankruptcy estate. Among the rights of recovery that are available to a debtor-in-possession are those based on theories of preferential and fraudulent transfer.

A preference is a payment or other transfer of property of the Debtor to or for the benefit of a creditor, before the bankruptcy case was commenced, on an antecedent debt, which transfer has the following characteristics: (1) it was made while the debtor was insolvent; (2) it was made within the time period(s) specified in Section 547(b)(4) of the Bankruptcy Code; and (3) it enabled the creditor receiving the transfer to receive more than the creditor would receive if the case were a case under Chapter 7 of the Bankruptcy Code. When a debtor successfully makes a claim against a creditor (preference defendant) on a preference, the preference defendant is required to return the payment or other transfer made, and the preference defendant then ordinarily has an unsecured claim in the amount of the returned preference.

An avoidable fraudulent conveyance under the bankruptcy laws is a transfer of an interest of the debtor in property, or any obligation incurred by the debtor, that was made or incurred on or within one year before the date of the filing of the bankruptcy case and that was either: (a) undertaken with actual intent to hinder, delay, or defraud any entity to which the debtor was or became indebted; or (b) a transaction under which the debtor received less than a reasonably equivalent value, and (i) the debtor was insolvent on the date the transfer was made or such obligation was incurred or became insolvent as a result of such transfer or obligation; (ii) the debtor was engaged in business or a transaction, or was about to engage in such business or transaction for which the debtor's remaining assets would be insufficient; or (iii) the debtor intended to incur or believed that it would incur debts that would be beyond the debtor's ability to pay as such debts matured.

The Debtor is unaware of, and therefore does not presently intend to pursue, any actions based on either fraudulent conveyance or preferential transfer. In the event the Debtor does pursue any such actions, any net proceeds realized by reason thereof will be used to fund accelerated payments to the Class of Unsecured Creditors. The proceeds of avoidance actions shall be paid, pro-rata, to Option 2 Creditors on the first Option 2 Distribution Date following the Debtor's receipt of the proceeds to be distributed, and shall reduce the Debtor's ongoing obligations to Option 2 Creditors, on a dollar-for-dollar basis, in reverse order of maturity.

5.2. Claims of or against Insiders

The Debtor is unaware of any viable claims against insiders. In the event the Debtor does pursue any such actions, any net proceeds realized by reason thereof will be used to fund accelerated payments to the Class of Unsecured Creditors. The proceeds of actions against insiders shall be paid, pro-rata, to Option 2 Creditors on the first Option 2 Distribution Date following the Debtor's receipt of the proceeds to be distributed, and shall reduce the Debtor's ongoing obligations to Option 2 Creditors, on a dollar-for-dollar basis, in reverse order of maturity.

5.3. Setoffs

Subject to the limitations provided in Section 553 of the Bankruptcy Code, the Debtor may, but shall not be required to, setoff against any claim and the payments or other distributions to be made pursuant to the Plan in respect of such claim, claims of any nature whatsoever the Debtor may have against the holder of such claim. Neither the failure to setoff, nor the allowance of

any claim hereunder shall constitute a waiver or release by the Debtor of any such claim that the Debtor may have against such holder.

VI. POST CONFIRMATION

The Bankruptcy Code requires a debtor to disclose information about certain events and circumstances occurring after confirmation of the plan of reorganization. The Debtor provides that description below. After confirmation of the Plan, operations and events will continue to be governed by certain provisions of the Plan, as set forth below.

6.1. Means for Execution

6.1.1. Plan Funding.

The Debtor's Plan is based on the following premises and assumptions:

- (a) The Debtor will continue to earn income from its continued operations; projections of the Debtor's business operations are provided in Exhibit C to the Disclosure Statement;
- (b) Payments under the Plan will be funded by post confirmation earnings from the business; and
- (c) Before confirmation of the Plan, Vermillion State Bank will pay the Small Business Administration ("SBA") an amount to be agreed on by those two parties, and, in return, will be assigned the SBA's claim against the Debtor.

6.1.2. Continued Existence

After the Effective Date, the Debtor shall continue to exist in accordance with the applicable law in the jurisdiction in which it is incorporated and pursuant to its articles, bylaws, and other organization documents in effect prior to the Effective Date, except to the extent such articles, bylaws, or other organization documents are amended or modified pursuant to the Plan. The articles, bylaws, and other organizational documents shall be and hereby are amended and restated as necessary to satisfy the provisions of the Plan and the Bankruptcy Code. After the Effective Date, the Debtor may, but shall not be required to, amend or restate its articles and bylaws as permitted by applicable law, provided that such amendment or restatement may not conflict with any provisions of the Plan. On the Effective Date, all actions contemplated by the Plan shall be authorized and approved in all respects, and all matters provided for in the Plan involving the corporate structure of the Debtor shall be deemed to have occurred and shall be in effect, without any requirement of further action by the equity holders, directors, or officers of the Debtor. As of the date on which an order confirming the Plan is entered, the officers and directors of the Debtor are authorized to issue, execute, and deliver the agreements, documents, and other instruments contemplated by the Plan.

Without limiting the generality of the foregoing, as of the Effective Date, the Debtor's articles shall be amended, to the extent necessary, and as consistent with the requirements of Section 1123(a)(6) of the Bankruptcy Code, to prohibit the issuance of nonvoting securities.

6.1.3. Management and Compensation of Management

On and after the date on which an order confirming the Plan is entered, the operations of the Debtor shall be managed by the board of directors and the officers of the Debtor, which shall consist of Colin J. Aune and Geraldine Aune.

In addition to their continuing roles as Debtor's only directors, the Aunes will continue to be the only officers of the Debtor, with Mr. Aune performing the functions of President and Treasurer of the Debtor, and Mrs. Aune those of Vice-President and Secretary. During the term of the Plan, Mr. Aune will receive a salary of \$36,000 per year, and Mrs. Aune will receive a salary of \$6,000 per year. The Debtor reserves the right to give its officers and directors periodic raises, provided that such raises shall be for the limited purpose of maintaining substantial salary uniformity, on an adjusted dollar basis, during the term of the Plan. In light of the foregoing stated purpose for salary increases, during the term of the Plan, no increase in the salary of an officer or director shall deviate substantially from the proportionate increase in the Consumer Price Index during the period between the date on which the proposed raise is to take effect and the later of: (i) the Effective Date, and (ii) the most recent date on which the officers or directors were given a raise.

In addition to their salaries as officers of the Debtor, Mr. and Mrs. Aune will receive health insurance during the term of the Plan. Mr. Aune also provides services as a contract truck driver, and is currently paid the amount of thirty cents per mile for those services.

6.1.4. Equity Structure of Reorganized Debtor.

From and after the Effective Date, fifty percent (50%) of the shares in the Reorganized Debtor will be owned by Colin J. Aune, and the other fifty percent (50%) will be owned by Geraldine Aune.

6.1.5. Plan Distributions.

The distributions under the Plan shall be made by the Debtor on the dates provided for in the Plan, or on such earlier dates as the Debtor, in its sole discretion, may choose. The Debtor reserves and retains the right to prepay any obligation under the Plan without penalty. Any payment or distribution required to be made under this Plan on a day other than a business day shall be made on the next succeeding business day, or as soon thereafter as practicable.

The Debtor shall not be required to make any payment or distribution on account of any disputed claim, until the dispute has been resolved and then, only to the extent that the disputed claim becomes an allowed claim, whether by agreement of the parties or by final order of the Bankruptcy Court. As soon as practicable after the disputed claim is resolved by the Debtor or

the parties, or allowed by agreement or final order, and subject to the terms of the Plan, the Debtor shall pay and distribute to the holder of such allowed claim the amount provided in the Plan in the manner provided in the Plan, subject to the following condition: The Debtor may choose, in the alternative, to make any additional payment or distribution to the creditor holding a previously disputed allowed claim to bring distributions on account of such claim current with where they would have been had the claim never been subject to objection.

In the event that any property to be distributed under the Plan remains unclaimed or otherwise not deliverable to a creditor entitled thereto as of the later of: (a) one year after the date on which an order confirming the Plan is entered; or (b) one hundred twenty (120) days after any distribution called for under the terms of the Plan, such property shall become vested in and shall be transferred and delivered to the Debtor. Unclaimed property shall include, but not be limited to, checks issued pursuant to the Plan and not negotiated within ninety (90) days of the date such check was issued.

The Debtor shall withhold from any property distributed under this Plan, any amounts which must be withheld for federal, state, or local taxes payable with respect thereto, or payable by the person entitled to such distribution, to the extent required by applicable law. The issuance, transfer or exchange of any of the securities issued under, or the transfer of any other property pursuant to this Plan, or the making or delivery of an instrument of transfer under this Plan, shall be exempt from application of any law imposing a stamp tax, transfer tax, or other similar tax.

Except as expressly stated in the Plan or otherwise allowed by a final order of the Bankruptcy Court, no interest, penalty, or late charge arising after the date the bankruptcy case was filed shall be allowed on any claim, regardless of whether any objection to the claim is filed and sustained. No attorneys' fees shall be paid with respect to any claim except as specified in the Plan, or as allowed by a final order of the Bankruptcy Court. Accordingly, payments and distributions under the Plan shall not include, provide for, or otherwise take into account any such interest, penalty, late charge, or attorneys' fees.

Unless otherwise provided in the Plan, distributions to be made under this Plan to holders of allowed claims shall be made by first class United States mail, postage prepaid to (a) the latest mailing address set forth in the schedules if no proof of claim was filed with respect to such claim; or (b) to the address appearing on a proof of claim as the address to which notices should be sent if a proof of claim was filed with respect to such claim. Distributions shall be deemed made as of time they are deposited in the United States mail.

6.1.6. Implementation of Plan.

The Plan will be implemented upon entry of an order confirming the Plan. As more fully discussed in the section of the Disclosure Statement on confirmation standards, the Plan can be confirmed either by vote of the creditors pursuant to Section 1129(a) of the Bankruptcy Code, or over any negative vote or objection of the creditors pursuant to Section 1129(b) of the Bankruptcy Code.

The Debtor may modify the Plan in the manner provided for under Section 1127 (a) or (b) of the Bankruptcy Code. The Debtor shall give notice of any proposed modification to the United States Trustee and to any other parties designated by the Court. The Debtor also reserves the right to make such modifications at any hearing on confirmation as may be necessary to facilitate confirmation of the Plan pursuant to Section 1129(a) or (b) of the Bankruptcy Code.

The Debtor's obligations under the Plan are contingent upon entry of an order confirming the Plan, and said order not being stayed, appealed, or otherwise challenged before the expiration of the applicable deadline.

6.2. Reservation of Rights, Powers and Jurisdiction

6.2.1. Debtor's Rights and Powers.

Except as otherwise expressly provided in the Plan, the Debtor shall retain, after confirmation of the Plan, and subject to any order entered by the Bankruptcy Court, full right and power to do any of the following:

- (a) Object to the allowance of claims;
- (b) Seek subordination of claims;
- (c) Pursue any claims against third parties, including, but not limited to those based on theories of preference, fraudulent transfer, or any other action arising under Chapter 5 of the Bankruptcy Code;
- (d) Pursue any claims and enforce any rights arising under the Bankruptcy Code in favor of a trustee or debtor-in-possession; and
- (e) Pursue any causes of action that the Debtor may have as of the date on which an order confirming the Plan is entered, and that may not have been enforced or prosecuted by the Debtor prior to such date. Any and all causes of action that the Debtor may have had prior to confirmation of the Plan shall survive confirmation of the Plan, shall vest in the Debtor, and shall not be affected by confirmation or the passing of the Effective Date of the Plan, except as otherwise specifically provided in the Plan.

The Debtor may object to the allowance of claims within the time period provided for in the order confirming the plan, or as otherwise dictated by order of the Court. The Debtor's authority to object to the allowance of claims shall not be affected in any way by the Debtor's failure to object to allowance of any claim for purposes of voting.

6.2.2. Court Approval

After confirmation of the Plan, the Debtor may, but shall not be required to, seek court approval of any of the following:

- (a) settlements regarding objections to claims;
- (b) settlements regarding claims against third parties;
- (c) settlements regarding allowance of fees and expenses incurred by professionals employed during the pendency of the Bankruptcy Case.

If the Debtor chooses to seek court approval of any such settlements, the Debtor shall not be required to provide notice to creditors as would typically be provided during the chapter 11 case or to file and serve a motion for the approval of the settlement. Instead, the Debtor shall be authorized to file a stipulation setting forth the material terms of the settlement, along with a proposed order providing for the approval of such stipulation.

6.2.3. Committee of Unsecured Creditors.

On the Effective Date of the Plan, the Committee of Unsecured Creditors shall be disbanded.

6.2.4. Jurisdiction.

Until the Plan has been fully consummated, the court shall retain jurisdiction over, and the Debtor shall retain standing and the right to pursue, any cause of action, proceeding, or other request for relief related to the following:

- (a) classification of the claims of creditors;
- (b) determination of the allowed amount of any claims arising before or during the pendency of the Bankruptcy Case;
- (c) subordination of the allowed claims of creditors;
- (d) determination of any counterclaims of the Debtor against any creditor, including any claim for turnover of property of the Debtor and any claim for offset of the value of the property against the claim of the creditor;
- (e) determination of the allowed amount of claims for damages from the rejection of executory contracts or unexpired leases;
- (f) determination of all issues and disputes regarding title to the assets of the estate and the Debtor;
- (g) determination of all causes of actions between the Debtor and any other party, including, but not limited to, any right of the Debtor to recover assets pursuant to the provisions of the Bankruptcy Code;

- (g) correction of any defect, the curing of any omission or the reconciliation of any inconsistency of the Plan or the order confirming the Plan as may be necessary to carry out the purpose and intent of the Plan;
- (h) interpretation and enforcement of the terms of the Plan;
- (i) shortening or extending, for cause, any time fixed for doing any act or thing under the Plan;
- (j) entry of any order, including any injunction, necessary to enforce the title, rights and powers of the Debtor;
- (k) entry of an order concluding and terminating the case; and
- (l) approval of any settlement related to any of the foregoing.

6.3. Effects of Plan Confirmation.

Confirmation of the Plan shall have the effects described below.

6.3.1 Binding Effect.

The Plan shall be binding upon and inure to the benefit of the Debtor, all present and former holders of claims against, or of interests in, the Debtor, and all respective successors and assigns.

6.3.2. Discharge and Injunction

CONFIRMATION OF THIS PLAN CONSTITUTES A COMPLETE DISCHARGE, WAIVER, RELEASE, AND SATISFACTION OF ALL CLAIMS AND INTERESTS OF ALL CREDITORS AND INTEREST HOLDERS AGAINST THE DEBTOR EXCEPT AS PROVIDED IN THIS PLAN. CONFIRMATION OF THE PLAN RESULTS IN A DISCHARGE OF THE DEBTOR PURSUANT TO SECTION 1141(D) OF THE BANKRUPTCY CODE. THE DISCHARGE SHALL RELEASE AND EXTINGUISH ANY PURPORTED LIENS, ENCUMBRANCES, OR SECURITY INTERESTS CLAIMED BY A CLAIMANT OR ANY OTHER ENTITY AGAINST PROPERTY OF THE DEBTOR, PROPERTY DEALT WITH BY THE PLAN, AND PROPERTY OF THE ESTATE, EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN. THE ORDER CONFIRMING THE PLAN IS A GENERAL ADJUDICATION AND RESOLUTION WITH PREJUDICE, AS OF THE EFFECTIVE DATE, OF ALL PENDING LEGAL PROCEEDINGS AGAINST THE DEBTOR, AGAINST PROPERTY OF THE DEBTOR AND AGAINST PROPERTY OF THE ESTATE, EXCEPT AS OTHERWISE PROVIDED IN THE PLAN.

THE DISCHARGE AND THE ORDER CONFIRMING THE PLAN OPERATE AS AN INJUNCTION TO THE EXTENT PROVIDED IN SECTION 524 OF THE BANKRUPTCY CODE. ANY CREDITOR OR EQUITY HOLDER ENTITLED TO RECEIVE ANY DISTRIBUTION PURSUANT TO THIS PLAN SHALL BE PRESUMED CONCLUSIVELY

TO HAVE RELEASED THE DEBTOR FROM ANY CAUSE OF ACTION BASED ON THE SAME SUBJECT MATTER AS THE CLAIM OR INTEREST WITH RESPECT TO WHICH THE DISTRIBUTION IS MADE. THIS RELEASE SHALL BE ENFORCEABLE AS A MATTER OF CONTRACT AGAINST ANY CREDITOR OR EQUITY HOLDER THAT ACQUIRES ANY RIGHT TO DISTRIBUTION PURSUANT TO THIS PLAN.

UNLESS A TAXING AUTHORITY HAS ASSERTED A CLAIM AGAINST THE DEBTOR BEFORE THE DEADLINE FOR FILING CLAIMS, CONFIRMATION OF THE PLAN SHALL OPERATE AS A DISCHARGE OF ANY CLAIM OR LIEN OF ANY TAXING AUTHORITY AGAINST THE DEBTOR, AGAINST THE ESTATE, AGAINST PROPERTY OF THE DEBTOR, AND AGAINST PROPERTY OF THE ESTATE, FOR ANY TAXES, PENALTIES, OR INTEREST (I) ARISING FOR ANY TAX YEAR FOR A PERIOD BEFORE THE DATE THE BANKRUPTCY PETITION WAS FILED; (II) ARISING OUT OF THE FAILURE OF THE DEBTOR TO FILE ANY TAX RETURN; OR (III) ARISING OUT OF AN AUDIT OF ANY TAX RETURN WITH RESPECT TO A PERIOD BEFORE THE DATE THE BANKRUPTCY PETITION WAS FILED.

6.3.3. Re-Vesting

Subject to the terms of the Plan, on the date that the order confirming the Plan is entered, the Debtor shall be restored to full ownership of, and dominion over, all property owned by the Debtor, all property of the estate, and all property dealt with by the Plan. The property so vested in the Debtor shall be free and clear of all claims, liens, encumbrances, charges, and other interests of holders of claims or interests, except as otherwise provided in the Plan.

On and after the date on which the order confirming the Plan is entered, the Debtor may freely operate its business and may freely use, acquire, and dispose of property of the estate and property of the Debtor, except as otherwise provided in the Plan. Except as may otherwise be expressly provided by the Plan, the Debtor's operation of its business and use of property shall be free of any restrictions imposed by operation of the Bankruptcy Code, the Bankruptcy Rules or any prior Bankruptcy Court order entered during the bankruptcy case.

VII. ALTERNATIVES TO THE PLAN OF REORGANIZATION

One alternative to confirmation of the Plan is conversion of the reorganization case to a liquidation case under Chapter 7 of the Bankruptcy Code. In liquidation, most of the Debtor's assets would be used to satisfy claims held by secured creditors, and the unsecured creditors would receive a distribution only if assets were available after payment of secured claims, priority claims, administrative expense claims, and taxes incurred as a result of liquidation.

The Debtor's liquidation analysis is contained in Exhibit D. The Debtor's liquidation analysis shows the values of the assets per the most recent balance sheet, adjustments to those values, and the estimated value upon liquidation. According to the Debtor's liquidation analysis, the amount of the secured, priority, administrative expenses, and taxes would exceed the liquidation value of the assets, and the unsecured creditors would receive nothing in liquidation.

Based on the foregoing, and the other factors involved in the liquidation analysis, the Debtor believes the best alternative for the unsecured creditors is distribution pursuant to the Plan of Reorganization.

VIII. CONFIRMATION STANDARDS

Before confirmation, the Court must determine whether the Plan has been accepted by the holders of claims in each impaired class. For a class of claims to accept the Plan, an affirmative vote must be cast by those that vote at least two thirds in amount and more than fifty percent in number of allowed claims. For a class of interests to accept the Plan, an affirmative vote of at least two thirds in amount of allowed interests must be cast by those who vote.

The purpose of the Disclosure Statement is to provide the holders of claims and interests with adequate information about the Debtor and the Plan so that they can make an informed judgment about the Plan's merits. The Bankruptcy Court order approving the Disclosure Statement and setting the date of the confirmation hearing may set a deadline date by which ballots must be filed with the clerk of Bankruptcy Court which is earlier than the date of the confirmation hearing. Creditors may vote on the Plan by filling out and mailing the accompanying Ballot to the Bankruptcy Court, or, if the deadline date by which ballots must be filed so allows, they may attend the hearing and present the Ballot in person prior to the time set by the Bankruptcy Court. Pursuant to Bankruptcy Rules 3001 to 3003, claims will be allowed to the extent listed in the Schedules of the Debtor, unless scheduled as disputed, contingent or unliquidated, or unless a timely proof of claim is filed without objection.

As a creditor, your vote is important. The Plan can be confirmed by the Bankruptcy Court if it is accepted by the holders of two thirds in amount and more than one half in number of the claims in each class voting on the Plan. In the event that one or more impaired classes reject the Plan, the Bankruptcy Court may nevertheless confirm the Plan if it finds that the Plan accords fair and equitable treatment to the rejecting classes. This means that, pursuant to 11 U.S.C. §1129(b), the Plan may be confirmed even if one or more classes of claims or interests rejects the Plan so long as the Plan provides that (1) each holder of a claim or interest in a rejecting class receives the value of that claim or interest; or (2) no holder of a claim or interest junior to those held by members of a rejecting class will receive or retain any property under the Plan. The Debtor hereby specifically reserves the right to seek confirmation of the Plan pursuant to Section 1129(b) of the Bankruptcy Code.

IX. CONCLUSION

The Debtor believes that acceptance of the Plan is in the best interest of all parties and therefore urges all holders of claims and interests to vote in favor of the Plan.

[Signature page to follow]

AMUNDSON'S AND AUNE'S CANNONBALL, INC.

Dated: 8/26/04By: 
Colin J. Aune
Its President

HENSON & EFRON

Dated: 8/26/04By: 
William T. Kampf (#53387)
Joel D. Nessel (#030475X)
220 South Sixth Street, Suite 1800
Minneapolis, MN 55402
Telephone: 612-339-2500

Attorneys for Debtor

EXHIBIT A

SCHEDULE OF EXECUTORY CONTRACTS AND LEASES

The Debtor is a party to the executory contracts and unexpired leases listed below. The Debtor intends to treat each contract and lease as stated below unless, prior to the hearing on confirmation of the Plan, the Debtor files and serves a motion specifying a different treatment

I. Contracts and Leases to be Assumed

A. Real Estate Lease. In March 2003, the Debtor and Ireland Sandrock Systems, Inc. (“Ireland”) entered into a lease agreement under which the Debtor, as landlord, leased a portion of its real property to Ireland. The lease is for an initial term of three (3) years, and Ireland has options to extend the term for up to fifteen (15) additional years. The Debtor was in compliance with all terms of the lease as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume its lease with Ireland, with the assumption being effective as of the Effective Date. The Debtor’s assumption of the lease will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the lease. From and after the Effective Date, the lease will continue to be effective according to its terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the Ireland.

B. Petroleum Retailer Agreement. The Debtor and Hartland Fuel Products, L.L.C. are parties to that certain Marathon Petroleum Retailer Agreement dated June 30, 2002, under the terms of which the Debtor agrees to purchase Marathon branded products and is given the right to use Marathon trademarks, brand name, and color schemes. The agreement with Hartland is for a nine year term. The Debtor was in compliance with the terms of its agreement with Hartland as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume its agreement with Hartland, with the assumption being effective as of the Effective Date. The Debtor’s assumption of the agreement will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the agreement. From and after the Effective Date, the agreement will continue to be effective according to its terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the Hartland.

C. Insurance Contracts. The Debtor is party to several insurance contracts, including those related to worker’s compensation, commercial liability, automotive, and hazard insurance (all of the Debtor’s insurance contracts will be referred to as the “Insurance Contracts”). The Debtor was in compliance with all terms of the Insurance Contracts as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume the Insurance Contracts, with the assumption being effective as of the Effective Date. The Debtor's assumption of the Insurance Contracts will not give rise to any cure obligations or any other claims, except as may arise under the ordinary terms of the lease. From and after the Effective Date, the Insurance Contracts will continue to be effective according to their terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the other party to any relevant contract.

D. Service and Support Agreements. The Debtor is party to two (2) agreements under which it receives maintenance and other services related to its computers and its photocopier (together, the "Service Agreements"). Except for payment defaults arising pre-petition, the Debtor was in compliance with all terms of the Service Agreements as of the Filing Date, and has remained in compliance during the Bankruptcy Case.

The Debtor will assume the Service Agreements, with the assumption being effective as of the Effective Date. The Debtor's assumption of the Service Agreements will give rise to cure obligations in the approximate aggregate amount of \$2,700, with approximately \$1,000 owing to Stringer Co., and approximately \$1,700 owing to Trendar. From and after the Effective Date, the Service Agreements will continue to be effective according to their terms, but, notwithstanding any term to the contrary, neither the filing of the Bankruptcy Case nor anything related to the administration of the Bankruptcy Case will be deemed an event of default or an event otherwise giving rise to any rights in favor of the other party to any relevant contract.

EXHIBIT B - DEBTOR'S PERFORMANCE DURING CHAPTER 11

	October	November	December	January	February	March	April	
TOTAL SALES	307,215.27	540758.77	543675.88	538903.4	558043.25	603827.46	636064.1	
PAYMENTS								
PAYROLL		44698.24	42118.09	39309.03	52718.96	47296.68	47329.21	
PAYROLL TAX		11203.89	5322.04	8855.94	4367.03	9865.96	10576.64	
SALES TAX		2802	2736	0	2517	0	2373	
EMPLOYEE CHARGEBACKS		54.88	0	250.48	372.44	1045.46	576.78	
TS CHARGES		175.29	25	201.07	0	0	0	
BAD DEBT-DR-OFF/DISCARD		0	0	314.99	1175	3263.31	1053.29	
CUSTOMER DISC/CASH-CHG		0	0	0	0	0	54.42	
TAXES: PROPERTY/FUEL/HWY		100	1372.03	51.3	0	0	440.1	
UTILITIES/TELE		9909.03	7247.68	11672.3	5270.93	12983.37	7022.52	
SEMI T-CHECK CHGS		0	0	0	0	5949.45	4525.73	
REPAIRS-BLDG/EQUIP		5544.6	13776.85	804.87	987.39	0	100	
INSURANCE		9179.26	902.6	1071.84	1084.32	0	5651.7	
OFFICER COMPENSATION		0	0	0	0	0	164.88	
MAINTENANCE EXPENSE		0	0	0	0	0	1208	
LICENSES/FEES		0	9550.12	4406	15725.9	0	283.35	
ADVERTISING PROMO		0	72.81	0	244.2	0	1243.7	
BANK CHARGES		203.8	492.49	134	265	0	171.4	
BANK LOAN PAYMENTS		0	0	0	0	0	4750	
LEGAL/PROFESSIONAL		0	0	0	0	0	1000	
CREDIT CARD FEES		0	0	0	0	0	0	
COUPONS/DISCOUNTS		0	0	0	0	0	1167.74	
SUPPLIES - OFFICE/EQP		563.82	4011.92	2080.49	2756.21	0	375.76	
TRASH REMOVAL		0	627.17	1657.83	923.14	0	1841.9	
SEMI-FUEL PURCHASE		6589.8	8865.15	7466.13	8617.35	0	0	
SEMI - PARTS/ETC. PURCHASE		5777.31	1381.35	6754.57	830.47	4114.42	10812.55	
SEMI - FUEL IN HOUSE CHG		0	1879.95	1204.43	0	0	0	
SEMI - PARTS/MAINT/EXPENSES		0	0	0	0	0	0	
CO VEHICLE - PARTS/MAINT		6705.89	1768.21	780.21	682.98	983.7	575.18	
SEMI IN HOUSE CHG		7326.32	7445.07	8683.57	10784.1	12142.86	10804.35	
PURCHASES - FUEL		310480.67	312971.48	283088.75	328061.91	364729.36	405998.1	
C - STORE PURCHASE		61400.78	65245.75	46331.86	51710.99	49579.33	52419.27	
HAY PURCHASES		64634.29	65605.87	60109.01	72151.37	70240.83	81877.41	
TOTAL CASH NEEDS	292,151.82	547449.87	580981.62	485228.52	561246.69	582194.73	654397	
NET	15,053.45	-6,691.08	-37,305	53,674.00	-3,211.46	21,632.94	-18,297	24,855.85

EXHIBIT C - PROJECTIONS

September 2004 - August 2005

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
BEGINNING CASH	48,975	49,971	50,967	51,963	34,959	35,955	36,951	37,947	38,943	39,939	22,935	23,931
CASH RECEIPTS	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
AVAILABLE CASH	648,975	649,971	650,967	651,963	634,959	635,955	636,951	637,947	638,943	639,939	622,935	623,931
PAYMENTS												
PAYROLL	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
PAYROLL TAX	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
SALES TAX	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
BAD DEBT-DR-OFF	400	400	400	400	400	400	400	400	400	400	400	400
TAXES: PROPERTY/FUEL/HWY	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
UTILITIES/TELE	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
SUPPLIES - OFFICE/EQP	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
REPAIRS-BLDG/EQUIP	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
INSURANCE	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
IRS REPAYMENT	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
LICENSES/FEES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ADVERTISING PROMO	600	600	600	600	600	600	600	600	600	600	600	600
BANK/FINANCE CHARGES	400	400	400	400	400	400	400	400	400	400	400	400
BANK LOAN PAYMENTS	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
LEGAL/PROFESSIONAL	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
PRIORITY TAX CLAIMS	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
CREDIT CARD FEES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
PURCHASES - FUEL	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
UNSECURED CREDITORS	0	0	0	18,000	0	0	0	0	0	18,000	0	0
SEMI - T-CHECK CHARGES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
SEMI - IN HOUSE CHARGES	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SEMI - PARTS & REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
C - STORE PURCHASE	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
HAY PURCHASES	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL CASH NEEDS	599,004	599,004	599,004	617,004	599,004	599,004	599,004	599,004	599,004	617,004	599,004	599,004
ENDING CASH	49,971	50,967	51,963	34,959	35,955	36,951	37,947	38,943	39,939	22,935	23,931	24,927

EXHIBIT C - PROJECTIONS
September 2005 - August 2006

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
BEGINNING CASH	24,927	25,923	26,919	27,915	10,911	11,907	12,903	13,899	14,895	15,891	-1,113	-117
CASH RECEIPTS	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
AVAILABLE CASH	624,927	625,923	626,919	627,915	610,911	611,907	612,903	613,899	614,895	615,891	598,887	599,883
PAYMENTS												
PAYROLL	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
PAYROLL TAX	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
SALES TAX	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
EMPLOYEE CHARGEBACKS	600	600	600	600	600	600	600	600	600	600	600	600
TS CHARGES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
BAD DEBT-DR-OFF	400	400	400	400	400	400	400	400	400	400	400	400
CUSTOMER DISC/CASH-CHG	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
TAXES: PROPERTY/FUEL/HWY	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
UTILITIES/TELE	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
SUPPLIES - OFFICE/EQP	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
REPAIRS-BLDG/EQUIP	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
INSURANCE	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
IRS REPAYMENT	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
LICENSES/FEES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ADVERTISING PROMO	600	600	600	600	600	600	600	600	600	600	600	600
BANK/FINANCE CHARGES	400	400	400	400	400	400	400	400	400	400	400	400
BANK LOAN PAYMENTS	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
LEGAL/PROFESSIONAL	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
PRIORITY TAX CLAIMS	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
CREDIT CARD FEES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
PURCHASES - FUEL	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
UNSECURED CREDITORS	0	0	0	18,000	0	0	0	0	0	18,000	0	0
SEMI - T-CHECK CHARGES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
SEMI - IN HOUSE CHARGES	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SEMI - PARTS & REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
C - STORE PURCHASE	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
HAY PURCHASES	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL CASH NEEDS	599,004	599,004	599,004	617,004	599,004	599,004	599,004	599,004	599,004	617,004	599,004	599,004
ENDING CASH	25,923	26,919	27,915	10,911	11,907	12,903	13,899	14,895	15,891	-1,113	-117	879

EXHIBIT C - PROJECTIONS
September 2006 - August 2007

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
BEGINNING CASH	879	1,875	2,871	3,867	-13,137	-12,141	-11,145	-10,149	-9,153	-8,157	-25,161	-24,165
CASH RECEIPTS	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
AVAILABLE CASH	600,879	601,875	602,871	603,867	586,863	587,859	588,855	589,851	590,847	591,843	574,839	575,835
PAYMENTS												
PAYROLL	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
PAYROLL TAX	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
SALES TAX	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
EMPLOYEE CHARGEBACKS	600	600	600	600	600	600	600	600	600	600	600	600
TS CHARGES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
BAD DEBT-DR-OFF	400	400	400	400	400	400	400	400	400	400	400	400
CUSTOMER DISC/CASH-CHG	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
TAXES: PROPERTY/FUEL/HWY	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
UTILITIES/TELE	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
SUPPLIES - OFFICE/EQP	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
REPAIRS-BLDG/EQUIP	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
INSURANCE	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
IRS REPAYMENT	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
LICENSES/FEEES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ADVERTISING PROMO	600	600	600	600	600	600	600	600	600	600	600	600
BANK/FINANCE CHARGES	400	400	400	400	400	400	400	400	400	400	400	400
BANK LOAN PAYMENTS	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
LEGAL/PROFESSIONAL	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
PRIORITY TAX CLAIMS	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
CREDIT CARD FEES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
PURCHASES - FUEL	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
UNSECURED CREDITORS	0	0	0	18,000	0	0	0	0	0	18,000	0	0
SEMI - T-CHECK CHARGES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
SEMI - IN HOUSE CHARGES	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SEMI - PARTS & REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
C - STORE PURCHASE	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
HAY PURCHASES	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL CASH NEEDS	599,004	599,004	599,004	617,004	599,004	599,004	599,004	599,004	599,004	617,004	599,004	599,004
ENDING CASH	1,875	2,871	3,867	-13,137	-12,141	-11,145	-10,149	-9,153	-8,157	-25,161	-24,165	-23,169

EXHIBIT C - PROJECTIONS
September 2007 - August 2008

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
BEGINNING CASH	-23,169	-22,173	-21,177	-20,181	-37,185	-36,189	-35,193	-34,197	-33,201	-32,205	-49,209	-48,213
CASH RECEIPTS	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
AVAILABLE CASH	576,831	577,827	578,823	579,819	562,815	563,811	564,807	565,803	566,799	567,795	557,791	558,787
PAYMENTS												
PAYROLL	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
PAYROLL TAX	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
SALES TAX	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
EMPLOYEE CHARGEBACKS	600	600	600	600	600	600	600	600	600	600	600	600
TS CHARGES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
BAD DEBT-DR-OFF	400	400	400	400	400	400	400	400	400	400	400	400
CUSTOMER DISC/CASH-CHG	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
TAXES: PROPERTY/FUEL/HWY	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
UTILITIES/TELE	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
SUPPLIES - OFFICE/EQP	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
REPAIRS-BLDG/EQUIP	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
INSURANCE	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
IRS REPAYMENT	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
LICENSES/FEES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ADVERTISING PROMO	600	600	600	600	600	600	600	600	600	600	600	600
BANK/FINANCE CHARGES	400	400	400	400	400	400	400	400	400	400	400	400
BANK LOAN PAYMENTS	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
LEGAL/PROFESSIONAL	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
PRIORITY TAX CLAIMS	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
CREDIT CARD FEES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
PURCHASES - FUEL	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
UNSECURED CREDITORS	0	0	0	18,000	0	0	0	0	0	18,000	0	0
SEMI - T-CHECK CHARGES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
SEMI - IN HOUSE CHARGES	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SEMI - PARTS & REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
C - STORE PURCHASE	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
HAY PURCHASES	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL CASH NEEDS	599,004	599,004	599,004	617,004	599,004	599,004	599,004	599,004	599,004	617,004	599,004	599,004
ENDING CASH	-22,173	-21,177	-20,181	-37,185	-36,189	-35,193	-34,197	-33,201	-32,205	-49,209	-48,213	-47,217

EXHIBIT C - PROJECTIONS
September 2008 - August 2009

	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST
BEGINNING CASH	-47,217	-41,221	-40,225	-39,229	-61,233	-60,237	-59,241	-58,245	-48,324	-38,403	-46,482	-36,561
CASH RECEIPTS	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
AVAILABLE CASH	552,783	553,779	554,775	555,771	538,767	539,763	540,759	541,755	551,676	561,597	553,518	563,439
PAYMENTS												
PAYROLL	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
PAYROLL TAX	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
SALES TAX	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800	2,800
EMPLOYEE CHARGEBACKS	600	600	600	600	600	600	600	600	600	600	600	600
TS CHARGES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
BAD DEBT-DR-OFF	400	400	400	400	400	400	400	400	400	400	400	400
CUSTOMER DISC/CASH-CHG	10,800	10,800	10,800	10,800	10,800	10,800	10,800	0	0	0	0	0
TAXES: PROPERTY/FUEL/HWY	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
UTILITIES/TELE	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
TRASH REMOVAL/LAUNDRY	500	500	500	500	500	500	500	500	500	500	500	500
SUPPLIES - OFFICE/EQP	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
REPAIRS-BLDG/EQUIP	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900	2,900
INSURANCE	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600	5,600
IRS REPAYMENT	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358	2,358
LICENSES/FEEES	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ADVERTISING PROMO	600	600	600	600	600	600	600	600	600	600	600	600
BANK/FINANCE CHARGES	400	400	400	400	400	400	400	400	400	400	400	400
BANK LOAN PAYMENTS	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800	10,800
LEGAL/PROFESSIONAL	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
PRIORITY TAX CLAIMS	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146	1,146
CREDIT CARD FEES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
PURCHASES - FUEL	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000	388,000
UNSECURED CREDITORS	0	0	0	18,000	0	0	0	0	0	18,000	0	0
SEMI - T-CHECK CHARGES	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
SEMI - IN HOUSE CHARGES	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
SEMI - PARTS & REPAIRS	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
C - STORE PURCHASE	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
HAY PURCHASES	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
TOTAL CASH NEEDS	599,004	599,004	599,004	617,004	599,004	599,004	599,004	590,079	590,079	608,079	590,079	590,079
ENDING CASH	-41,221	-40,225	-39,229	-61,233	-60,237	-59,241	-58,245	-48,324	-38,403	-46,482	-36,561	-26,640

Exhibit D

Liquidation Analysis

Asset	Value as of April 30, 2004	Adjustments to Value For Liquidation	Net Value on Liquidation
CURRENT ASSETS:			
Cash	\$15,000	(-0-)	\$15,000
A/R	\$37,000	(8,000)	\$29,000
Inventory	\$110,000	(14,000)	\$96,000
Prepaid Expenses	-0-	-0-	-0-
Total Current Assets:	\$162,000	(22,000)	\$140,000
FIXED ASSETS:			
Real Estate	\$953,000	147,000	\$1,100,000
Fixtures	\$300,000	(200,000)	\$100,000
Vehicles	\$314,000	(64,000)	\$250,000
Office Equipment	\$1,000	(1,000)	-0-
Total Fixed Assets:	\$1,568,000	(118,000)	\$1,450,000
TOTAL ASSETS:	\$1,730,000	(140,000)	
Total Liquidation Value of Assets:			\$1,590,000
Total Secured Debt:			\$1,660,000
Net Value of Assets:			(70,000)